

Message Text

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70

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 SP-02 USIA-06 AID-05

EB-07 NSC-05 CIEP-01 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 PRS-01 H-02 L-03 /105 W

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R 140331Z APR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4046

INFO AMEMBASSY JAKARTA

AMCONSUL SURABAYA

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS: 7/14/76

TAGS: EAID, EFIN, ID

SUBJECT: PROPOSED ADB LOAN FOR ROAD IMPROVEMENT PROJECT (INDONESIA)

REF: (A) TREASURY 76-41, (B) JAKARTA 476, (C) MANILA 4334

1. ON APRIL 13 ADB BOARD OF DIRECTORS APPROVED PROPOSED LOAN OF \$20.0 MILLION TO REPUBLIC OF INDONESIA TO FINANCE FOREX COST OF ROAD IMPROVEMENT PROJECT. PRESS RELEASE BEING POUCHED.

2. PRIOR TO BOARD MEETING USADB REQUESTED EXPLANATION FOR 60 PERCENT PRICE CONTINGENCY. BANK STAFF EXPLAINED THAT THEY USED SAME IBRD PRICE INDEX AS IN IBRD FOURTH INDONESIAN HIGHWAY PROJECT UNDER INDONESIAN CONDITIONS FOR MID-1975 TO MID-1976 WHICH INDICATED PRICE INCREASE

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OF 15 PERCENT FOR FIRST YEAR AND 12 PERCENT FOR EACH

YEAR THEREAFTER. SINCE BANK STAFF USED ACTUAL INDONESIAN MID-1975 PRICES FOR PROJECT, IMPACT OF PRICE INCREASE ON COST WOULD BE 60 PERCENT BECAUSE PROJECT IMPLEMENTATION PRIMARILY IN 1978-1980 PERIOD. BANK STAFF EXPLAINED PRICE INDEX USED ON EXPECTED IMPLEMENTATION SCHEDULE, NOT ON TOTAL COST AS MIGHT BE ASSUMED FROM READING APPRAISAL REPORT ESPECIALLY APPENDIX 16 PAGE 87. BANK STAFF EXPLAINED FURTHER THAT IBRD LOAN WAS FOR CONSTRUCTION WHILE ADB LOAN INCLUDES DESIGN, ENGINEERING AND CONSTRUCTION. BANK STAFF INDICATED THAT IBRD MISSION OBTAINED BID PRICES ON CONSTRUCTION IN JANUARY AND WERE THEREFORE ABLE TO INCLUDE COSTS IN APPRAISAL REPORT. BANK STAFF ALSO EXPLAINED THAT 12 PERCENT PRICE INCREASE CONSISTS OF IBRD ESTIMATES OF 8 PERCENT GLOBAL PRICE INCREASE, ADDITIONAL 2 PERCENTAGE POINTS FOR CIVIL WORKS AND ADDITIONAL 2 PERCENTAGE POINTS FOR INDONESIAN CONDITIONS.

3. U.S. DIRECTOR IN SUPPORTING PROJECT, REFERRED TO 60 PERCENT PRICE CONTINGENCY AND STRESSED NEED TO ENCOURAGE TIMELY IMPLEMENTATION, AND TO ENCOURAGE ACCURATE ENGINEERING AND COST ESTIMATES. HE EMPHASIZED NEED FOR IMPROVING PRICE ESTIMATES. SEVERAL OTHER DIRECTORS ALSO QUESTIONED USE OF 60 PERCENT CONTINGENCY.
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Message Attributes

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Draft Date: 14 APR 1976
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Decaption Note:
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Disposition Approved on Date:
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Disposition Reason:
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